

**ONE HUNDRED FIFTH LEGISLATURE - FIRST SESSION - 2017**  
**COMMITTEE STATEMENT**  
**LB461**

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**Hearing Date:** Wednesday February 15, 2017  
**Committee On:** Revenue  
**Introducer:** Smith  
**One Liner:** Correct references to a federal act in a revenue statute

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**  
**Aye:** 6 Senators Smith, Lindstrom, Larson, Groene, Friesen, Brasch  
**Nay:** 2 Senators Harr, Schumacher  
**Absent:**  
**Present Not Voting:**

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**Verbal Testimony:**

**Proponents:** Senator Jim Smith  
**Representing:** Introducer

**Opponents:**  
**Representing:**

**Neutral:**  
**Representing:**

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**Summary of purpose and/or changes:**  
LB 461 would correct a reference to the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

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**Explanation of amendments:**  
AM 954 to LB 461

The amendment becomes the bill.

The effective date for moving from a comparable sales approach to determining assessed valuation to an income-approach calculation will be January 1, 2018.

For purposes of assessing agricultural land and horticultural land ("Ag land") using the income approach, Ag land shall be divided into classes and subclasses of real property under section 77-103.01, including, but not limited to, irrigated cropland, dryland cropland, grassland used for grazing, grassland used for haying, wasteland, nurseries, feedlots, and orchards, so that the categories reflect uses appropriate for the valuation of such land according to law.

Classes shall be inventoried by subclasses of real property based on soil classification standards developed by the Natural Resources Conservation Service of the United States Department of Agriculture as converted into land capability groups by the Property Tax Administrator.

Ag land shall be valued based on the agricultural-use value, reflected in a capitalized income approach developed pursuant to the Agricultural Valuation Fairness Act, using professionally accepted mass appraisal techniques. The

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assessed values of Ag land shall be determined on the basis of the land's value in use for agricultural or horticultural purposes by capitalizing the net income by a rate that reflects the agricultural-use value in the ordinary course of trade.

A 5-member Agricultural Land Valuation Committee is created. The Tax Commissioner or his/her designee from his/her staff will serve as chairperson of the committee. The Tax Commissioner will appoint the remaining four members. The remaining four members of the committee will be a representative of the agricultural and horticultural industry, a county assessor, an appraiser from the private sector, and a representative from faculty of one of the state's research universities specializing in agricultural economics. The committee shall meet in November 2017 and each November thereafter. The committee shall meet at least six times per year.

The committee will develop income and expense estimates for all Ag land and capitalization rates necessary to produce uniform and proportionate assessed valuations based on information available to the committee from the United States Department of Agriculture, the University of Nebraska Institute of Agriculture and Natural Resources, the Nebraska Investment Finance Authority, the Department of Revenue, and any other sources determined necessary by the committee.

The committee shall determine value for each land capability group in each county by dividing the income determined for each parcel by a capitalization rate established by the committee. The committee shall establish the capitalization rates to be applied to each class or subclass of Ag land within each county. The committee shall ensure that the capitalization rates established result in an aggregate agricultural-use value for the class of Ag land that is between 55 and 65 percent of the actual value that the Ag land has for agricultural or horticultural purposes.

The aggregate agricultural-use value so established shall not increase more than 3.5 percent from the prior year. The committee shall issue a report of the values established for each land capability group to each county assessor in Nebraska no later than January 1 of each year.

The county assessor shall implement the values determined by the Agricultural Land Valuation Committee under this act. The resulting assessed values for the class of Ag land shall be reported on the abstract of real property pursuant to section 77-1514.

An 8-year average of data, throwing out the highest and lowest numbers, will be used to determine the average yield and average commodity prices. This data will come from the United States Department of Agriculture. Carrying capacity by land capability group will be calculated using an 8-year average of rental value per animal-unit month. The highest and lowest numbers will be thrown out of this calculation. Information from the Natural Resources Conservation Service of the United States Department of Agriculture or other state or federal agencies will be used to calculate carrying capacity.

The following changes would be effective for tax year 2019, except as otherwise noted:

1. The four existing brackets under the Individual Income Tax would be reduced to three by combining the first and second brackets into a new Bracket One. The new bracket would combine the bands of income subject to tax at the lowest rate and change that rate to 3.25 percent.
2. The personal exemption credit would begin to phase-out if AGI is \$300,000 for taxpayers filing married filing joint and if AGI is \$150,000 for all other filers. No credit is available when AGI reaches \$400,000 and \$200,000, respectively.
3. A new, nonrefundable credit is created for resident taxpayers equal to \$40 if AGI is \$28,000 or less for married filing joint filers and \$20 if AGI is \$14,000 or less for all other filers.
4. The Earned Income Tax Credit would increase from 10 percent of the federal credit to 11 percent in tax year 2019 and 12 percent in tax year 2020.
5. The New Markets Job Growth Investment Act and the Nebraska Job Creation and Mainstreet Revitalization Act

(known as the Historic Tax Credit) would be suspended beginning on July 1, 2017 through December 31, 2022.

6. The top bracket of the Corporate Income Tax would be reduced from 7.81 percent to 7.59 percent.

The following changes would be effective beginning with tax year 2020, except as otherwise noted:

1. The new third bracket or top bracket rate under the Individual Income Tax would begin to be reduced from 6.84 percent to 5.99 percent using eight steps. Each "step reduction" would only occur if the Tax Rate Review Committee finds that the expected rate of growth in net General Fund receipts exceeds 3.5 percent.

a. If the expected rate of growth does not exceed said amount, the Committee is required to defer the rate reduction that would have occurred for the subsequent tax year.

2. The top bracket rate under the Corporate Income tax would be reduced from 7.81 percent to 7.59 percent for tax years beginning or deemed to begin on or after January 1, 2019. The top bracket rate would continue to be reduced for tax years beginning or deemed to begin on or after January 1, 2020 in increments of .20 percent each year thereafter, but not below 5.99 percent. Each reduction for tax years 2020 and beyond would only occur if the Tax Rate Review Committee finds that the expected rate of growth in net General Fund receipts exceeds 4.0 percent.

a. If the expected rate of growth does not exceed said amount, the Committee is required to defer the rate reduction that would have occurred for the subsequent tax year.

The amendment contains the Emergency Clause.

LB 338 (Brasch) Adopt the Agricultural Valuation Fairness Act

Amendment: AM 688 - APPROVED

Motion: Friesen

Second: Groene

Ayes: 6 Senators Smith, Friesen, Brasch, Groene, Larson, Lindstrom

Nays: 2 Senators Harr, Schumacher

Motion to amend LB 338 as amended to LB 461 - APPROVED

Motion: Smith

Second: Larson

Ayes: 6 Senators Smith, Friesen, Brasch, Groene, Larson, Lindstrom

Nays: 1 Senator Schumacher

Present, Not Voting: 1 Senator Harr

Public Hearing Date: 2.8.17

Testifiers:

Proponents:

Senator Lydia Brasch - Introducer

Governor Pete Ricketts - State of Nebraska

Ruth Sorensen - Prop Tax Administrator, Nebraska Dept of Revenue

Greg Ibach - Nebraska Dept of Agriculture

Dennis Fujan - Ag Leaders Working Group

Lavon Heidemann - Self, Elk Creek, NE  
Al Juhnke - Nebraska Pork Producers Association  
Steve Nelson - Nebraska Farm Bureau  
Steve Wellman - Self, Syracuse, NE  
Christopher Kuehn - Heartwell, NE  
Micheal Dwyer - Self, Arlington, NE  
Shane Greckel - Self, Bloomfield, NE  
Robert Johnston - Nebraska Soybean Association  
Scott Peterson - Nebraska Cattlemen  
Matt Litt - Americans for Prosperity  
John Knapp - Sarpy County Farm Bureau

Opponents:

Robert Post - Self, Gering, NE  
Mary Lou Block - Self, Gothenberg, NE,  
Jordan Rasmussen - Center for Rural Affairs  
Jeff Metz - Self, Bayard, NE  
John Hansen - Nebraska Farmer's Union  
Renee Fry - OpenSky Policy Institute  
Gregory Lauby - Self, Wymore, NE  
Rob Hollman - Self, Martell, NE

Neutral:

John Janecek - Self, Wilber, NE  
David Grimes - Self, Minden, NE  
John Knapp - Self, Springfieled, NE  
Larry Dix - Nebraska Association of County Officials  
Tom Placzek - Platte County Assessor & Nebraska Association of County Officials  
David Schwaninger - Self, Martell, NE

LB 337 (Smith) Change income tax rates and provide for deferrals of the rate changes

Motion to amend LB 337 into LB 461 - APPROVED

Motion: Lindstrom

Second: Larson

Ayes: 6 Senator Smith, Friesen, Brasch, Groene, Larson, Lindstrom

Nays: 2 Senator Harr, Schumacher

Public Hearing Date: 2.8.17

Testifiers:

Proponents:

Senator Jim Smith - Introducer  
Governor Pete Ricketts - State of Nebraska  
Tony Fulton - Tax Commissioner, Nebraska Dept. of Revenue

Courtney Dentlinger - Dept of Economic Development  
Coby Mach - Lincoln Independent Business Association  
Jim Vokal - Platte Institute  
Jack Schreiner - Bruckman Rubber Co.  
Jeffrey Scherer - NE Chamber of Commerce  
Eric Dinger - Lincoln Chamber of Commerce  
Brian Gubbels - Greater Omaha Chamber  
Nicole Fox - Platte Institute  
Matt Litt - Americans for Prosperity  
Bob Hallstrom - National Federation of Independent Business, Nebraska Bankers Association

Opponents:

Renee Fry - OpenSky Policy Institute  
Jason Hayes - Nebraska State Education Association  
Mark Fahleson - Reform for Nebraska's Future  
John Hansen - Nebraska Farmer's Union  
Keith Nelson - Omaha Together One Community  
Mary Spurgeon - Omaha Together One Community  
Don Schuller - Gage Taxpayers Organization  
Traci Bruckner - Women's Fund of Omaha  
Dennis Schuster - Self, Steinauer, NE  
Kaitlin Reece - Voices for Children in Nebraska  
Mark Intermill - AARP  
Becky Gould - Nebraska Appleseed

Neutral:

Max Waldo - Farm Bureau  
Carol Sherman - Landowner/Citizen, NE  
Kenneth Kriz - Kansas Public Finance Center  
Craig Bolz - Self, Palmyra, NE  
David Schwaninger - Farmer, Martell, NE  
Richard Hedrick - Self, Lincoln, NE

LB 452 (Lindstrom) Impose sales tax on services and change income tax rates and personal exemption amounts

Amendment: AM 728 - APPROVED

Motion: Smith

Second: Larson

Ayes: 7 Senators Smith, Friesen, Brasch, Groene, Larson, Lindstrom, Schumacher

Nays: 1 Senator Harr

Motion to amend LB 452 as amended to LB 461 - APPROVED

Motion: Larson

Second: Groene

Ayes: 6 Senators Smith, Friesen, Brasch, Groene, Larson, Lindstrom

Nays: 2 Senators Harr, Schumacher

Public Hearing Date: 2.15.17

Testifiers:

Proponents:

Senator Brett Lindstrom - Introducer  
Jim Vokal - Platte Institute

Opponents:

Ken Allen - NE Board of Barber Examiners  
Paulette Genthon - Universal College of Healing Arts  
Steve Carper - Nebraska State Board of Massage Therapy  
Beverly Riley - American Massage Therapy Association  
John Davis - Happy Cab Companies  
Marcia Harper - Garbos Salons & Spa  
Mark Brohman - Nebraska Environmental Trust  
Chris Kircher - Nebraska State Fair  
William Lange - Nebraska Self Storage Owners Association  
Ashley Mayfield - Self, North Platte, NE  
Carla Jacobs - Uber Technologies  
Renee Fry - OpenSky Policy Institute  
Joe Neuhaus - Lincoln Independent Business Association  
Mark Canfield - Laundry Land  
Dave Paladino - Nebraska Association of Commercial Properties/Dino's Storage  
Mike Baumgartner - Coordinating Commission for Post secondary Education  
John Hansen - Nebraska Farmers Union  
Mark Intermill - AARP  
Allen Beermann - Nebraska Press Association Newspapers

Neutral:

Joe Henschman - The Tax Foundation  
Korby Gilbertson - Radcliffe & Associates

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Jim Smith, Chairperson